

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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FM USMISSION USBERLIN

TO SECSTATE WASHDC 1037

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

USMISSION NATO

AMEMBASSY PARIS

C O N F I D E N T I A L USBERLIN 1112

E.O. 11652: GDS

TAGS: PFOR, EAIR, WB, US, UK, FR, GW

SUBJECT: PANAM FARE INCREASE SUBMISSION

REF: STATE 126412

1. WE BELIEVE IDEA PROPOSED PARA 4 REFTTEL IS UNWORKABLE. PANAM BERLIN IS INTENT UPON HELPING OUT CORPORATION WITH AS MUCH CASH FROM IGS OPERATION AS IT CAN POSSIBLY EARN. TO ASK PANAM TO ACCEPT LOWER FARES THAN ITS LESS EFFICIENT COMPETITOR AT TIME WHEN PANAM, AS A CORPORATION, IS ITSELF IN SERIOUS DIFFICULTIES WOULD SEEM UNFAIR. ONLY CIRCUMSTANCE WE CAN IMAGINE UNDER WHICH PANAM WOULD ACCEPT SUCH DISCRIMINATION WOULD BE ONE IN WHICH PANAM AND BA HAD REACHED AGREEMENT ELSEWHERE IN WORLD OF BENEFIT TO PANAM.

2. ANCILLARY PROPOSAL OF HAVING BA REQUEST UNILATERAL SUBSIDIES HAS SAME DEFECT. THERE IS NO CHANCE ANY SUCH ARRANGEMENT COULD BE KEPT SECRET AND PANAM WOULD BE REQUESTING SIMILAR SUBSIDIES IN QUICK ORDER.

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3. IN OUR VIEW, ONE SOLUTION MIGHT BE TO POSTPONE
DECISION PENDING CHANCE TO REVIEW IN SEVERAL MONTHS
TIME FINANCIAL EFFECTS OF ROUTE-SWAP PROPOSAL WHICH
WENT INTO EFFECT JUNE 2. IF LOAD FACTORS INCREASE
AS RESULT OF ROUTE DIVISION AND LOWERING OF FLIGHT
FREQUENCIES WE WOULD HAVE STRONGER GROUNDS FOR DENYING
BA ALONG WITH PANAM INCREASES IN FARES AND/OR
SUBSIDIES. IF, ON CONTRARY, AIR TRAFFIC CONTINUES
TO DROP AS AUTOBAHN USAGE INCREASES, WE COULD
RE-EXAMINE QUESTION. IN SHORT, WE RECOMMEND SOME
DILIGENT STALLING FOR MOMENT.

4. GERMANS ARE SAVING AS NEVER BEFORE IN HISTORY OF
FRG, AND VISITORS TO BERLIN AS WELL AS BERLIN
TRAVELERS ARE REFLECTING THIS TREND IN OPTING FOR
TIME-CONSUMING AUTO TRIPS INSTEAD OF HIGH PRICED
FLIGHTS. PERHAPS THIS TREND WILL CHANGE IF AND WHEN
FRG ECONOMY PICKS UP. THERE IS NO DOUBT, HOWEVER,
THAT SENAT IS SERIOUSLY CONCERNED ABOUT WORSENING
AIR PICTURE IN WEST BERLIN. TIME IS NOT PROPITIOUS
FOR HITTING FRG WITH REQUESTS, EFFECT OF WHICH COULD
WELL BE FURTHER DECLINE IN PASSENGER LOADS AND
EVENTUALLY IN FLIGHT FREQUENCIES. ROUTE SWAP, WE
NOTE, WAS APPROVED ON THE BASIS THAT SERVICE WOULD
REMAIN UNIMPAIRED, NOT THAT STILL HIGHER PRICES
WOULD GO INTO EFFECT.

5. WITH BEST WILL IN WORLD, IGS CANNOT SINGLE-
HANDEDLY OVERCOME BA INEFFICIENCY OR PANAM'S WORLD-
WIDE PROBLEMS. WE RECOMMEND THEREFORE THAT PERIOD
OF REFLECTION BE AGREED UPON FOR A HALF YEAR OR SO,
AFTER WHICH TEGEL WILL BE IN OPERATION, ROUTE-SWAP
RESULTS WILL BE IN, AND WE SHOULD HAVE A BETTER IDEA
OF EXTENT TO WHICH BA IS DOCTORING FIGURES TO JUSTIFY
FARE INCREASE. GEORGE

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